



ISSUES RAISED BY ACS REGARDING COMPUTER AID, INC. AND MANAGED STAFF AUGMENTATION

January 8, 2007

The following issues were raised by American Computer Services, Inc. (ACS) at the December meeting of the Legislature's Government Oversight Committee. DAS has responded to each of the issues raised and looks forward to discussing the issue of staff augmentation further as deemed necessary and appropriate by the Legislature.

1. "Hidden fees" will be charged by Computer Aid, Inc. (CAI).
 - *50% conversion fee (from contractor to employee)*
 - *No such fee exists in the PA contract Iowa would be using.*
 - *1% Procurement fee*
 - *This is a fee paid by all vendors in Virginia to use the eVA online procurement system administered by the state. This fee would not be applicable in Iowa.*
 - *Offsite fee*
 - *This is a known fee from the PA contract and is only applicable when a contractor is asked to work offsite instead of at a state facility.*
2. Is a 30% savings possible?

Actual ITE FY06 staff augmentation is shown in the table below. Application of the CAI rates based on 1,894 hours per year would have saved \$154,392 in FY06. Not a 30% savings but a savings of almost 9%.

Role	Current Rate	CAI Rate
Sr Developer	\$ 68.00	\$ 60.85
Sr Developer	\$ 66.00	\$ 60.85
Lead Developer	\$ 66.00	\$ 65.11
Sr Project Manager	\$ 74.00	\$ 70.81
Sr Developer	\$ 68.00	\$ 60.85
Lead Developer	\$ 85.00	\$ 65.11
Lead Developer	\$ 78.00	\$ 65.11
Sr Developer	\$ 68.00	\$ 60.85
Sr Developer	\$ 65.00	\$ 60.85
Sr Project Manager	\$ 75.00	\$ 70.81
Lead Developer	\$ 68.00	\$ 65.11
Sr Project Manager	\$ 74.00	\$ 70.81
Sr Tester	\$ 67.00	\$ 63.38
Average Rate	\$70.92	\$64.65
Percentage Savings		8.84%

3. Will the state lose experienced staff?

97% of Pennsylvania's end users have said that the contract met or exceeded their expectations. However, there is a possibility that the state will lose staff who have worked within their departments as the contract is implemented.

4. Will an arrangement with CAI reduce costs or increase costs?

A savings of almost 9% is projected at this time.

5. CAI reduces cost by utilizing off-shore facilities.

Staff augmentation is a service generally provided on site. In the vast majority of cases, the contractor hired by an agency through a staff augmentation contract becomes essentially an extension of the agency IT staff. They often sit alongside them in a cubicle or office. . In Iowa, this is the case and therefore Doing this type of work in an offshore facility is implausible.

6. The I/3 system already offers a tool for purchasing and expenditure tracking.

I/3's eProcurement has not implemented some of the key features for managed staff augmentation although at some point in the future it is possible all the necessary components could be in place in I/3. Systems for managing staff augmentation generally have a web-based Vendor Management System (VMS) that automates and "web-enables" many of the business processes associated with the sourcing, screening, interviewing and selection of IT contract resources. These tools generally have a time-entry component that ties the full life-cycle procurement together from requisitioning through to invoice generation. Because every "stake-holder" in the supply chain interfaces with the VMS, the state and CAI have full visibility over the entire process and can extract meaningful data for financial reporting, usage stats, service level agreements, and vendor performance.

7. Network vendors were divided into two tiers.

Correct. Tiering is a process that has been used very successfully by CAI to both drive TSB participation and to reward firms that consistently submit qualified candidates quickly.

8. What are the reasons for some agencies not being on board?

Some agencies are concerned this will impact long standing relationships or impact experienced staff augmentation personnel negatively. As such, this contract will be available to agencies as an option, and will not be a mandate. The CIOs have worked diligently with GSE to make this as flexible as possible. DAS will maintain performance and continue to evaluate performance of the contract and satisfaction of users.

9. What fees will the Iowa contract contain once approved?

No fees other than per-hour services and an offsite fee are expected.

10. Is CAI the best company for Iowa?

At this time, we believe implementation of the PA contract and use of the services provided by ACI offers the State of Iowa an immediate avenue to realize savings as quickly as possible.

The case with HP (mentioned by ACS) was settled out-of-court in favor of CAI. CAI did protest a procurement decision in New Jersey, but this is not an unusual action. If filing a protest in any state were a disqualifier for doing business, Iowa would lose many potential bidders each year.

11. “It means Iowa doesn’t go through the pieces of process to understand ... specific needs.”

Staff augmentation is a straight-forward requirement.

12. Why not create an RFP so other vendors can participate?

Iowa can use other states’ contracts to immediately save money. As demonstrated, savings of \$150,000+ are projected by a single bureau within DAS. Pennsylvania spends more than five times as much on IT Staff Augmentation than the State of Iowa. Iowa is able to leverage that buying power to get lower rates than it ever could on its own for a comparable level of services. In addition, Pennsylvania spent 12 months developing their RFP and awarding this contract, with the help of a consulting firm. Iowa is able to save that time and expense by piggybacking on the Pennsylvania contract.

13. Why was it stated this would be implemented via an “executive order”?

State of Iowa personnel never postulated or indicated this contract would be implemented by executive order. When David Yarkin was asked how Pennsylvania implemented the CAI contract, his response indicated that the Pennsylvania governor required all agencies to use strategically sourced contracts such as this one.